

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 AID-05 TRSE-00 OMB-01 CIAE-00
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PM-05 NSC-05 SS-15 EUR-12 /073 W
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R 070221Z OCT 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 1778
INFO AMEMBASSY KUALA LUMPUR

C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 15522/01

E.O. 11652: GDS
TAGS: ASEAN, EAID, EINV, JA, MY
SUBJECT: MALAYSIAN PRIME MINISTER'S VISIT TO JAPAN

REF:KUALA LUMPUR 7025

1. SUMMARY: VISIT OF PRIME MINISTER HUSSEIN ONN TO JAPAN WAS MARKED BY JAPANESE COMMITMENT TO CONTINUE PROVIDING SUBSTANTIAL AID, BUT THERE IS SOME AMBIGUITY IN THE AMOUNT WHICH JAPAN FORESEES GIVING FOR THE CURRENT MALAYSIAN FIVE-YEAR PLAN. HUSSEIN ONN ALSO HAD DISCUSSIONS WITH PRIVATE-SECTOR ECONOMIC LEADERS WHICH THE JAPANESE BELIEVE WERE USEFUL. TOPICS OF POLITICAL DISCUSSION INCLUDED VIETNAMESE AND SOVIET INTENTIONS IN SOUTHEAST ASIA. END SUMMARY.

2. MALAYSIA PRIME MINISTER HUSSEIN ONN'S SEPTEMBER 18 TO 23 VISIT TO JAPAN MAINTAINED THE ATMOSPHERE OF SERIOUS CORDIALITY WHICH CHARACTERIZED THE AUGUST JAPAN-ASEAN MEETINGS. THE MAIN EVENT OF THE VISIT, AS NOTED REFTTEL, WAS THE ANNOUNCEMENT, FOR THE SECOND TIME IN TWO MONTHS, OF A NEW YEN 21 BILLION (ABOUT \$79 MILLION) CREDIT OFFERED BY JAPAN TO MALAYSIA. A JAPANESE FOREIGN MINISTRY OFFICIAL (ABE, SECOND SOUTHEAST ASIA DIVISION DEPUTY DIRECTOR) NOTES THAT JAPAN'S LATEST COMMITMENT, AND IN PARTICULAR THE
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FACT THAT THIS EQUALS THE AUGUST COMMITMENT IN AMOUNT, ARE EVIDENCE OF JAPAN'S INTENT TO CONTINUE STEADY ASSISTANCE TO MALAYSIA AS THE LATTER'S 1976-1980 FIVE-YEAR PLAN MOVES TOWARD COMPLETION. ABE NOTES HOWEVER THAT THE JAPANESE GOVERNMENT PLANS TO CALL THE CREDIT ANNOUNCED DURING HUSSEIN ONN'S VISIT A "1978 LOAN;" THUS ONLY TWO YEARS' WORTH OF JAPANESE ASSIS-

TANCE WOULD APPEAR TO BE FORTHCOMING IN SUPPORT OF CURRENT FIVE-YEAR PLAN, RATHER THAN THREE YEARS AS SUGGESTED IN REFTEL. ABE NOTED THAT JAPANESE HAD DESCRIBED EARLIER CREDIT ANNOUNCED AT ASEAN MEETING SIMPLY AS "FOURTH LOAN" TO MALAYSIA AND HAD AVOIDED LABELING IT BY YEAR.

3. MALAYSIA'S EXCELLENT PERFORMANCE IN USING FIRST THREE LOANS, ABE ASSERTED, WAS MAJOR FACTOR IN FINANCE MINISTRY'S JOINING JAPANESE GOVERNMENT CONSENSUS. (COMMENT: THIS EFFICIENCY OF IMPLEMENTATION MAY NOT HAVE BEEN DECISIVE, BUT IT WOULD UNDOUBTEDLY MAKE IT EASIER FOR THE JAPANESE GOVERNMENT AS A WHOLE TO ACCEPT A DECISION NO DOUBT STRONGLY INFLUENCED ALSO BY POLITICAL FACTORS, ABOVE ALL THE JAPANESE NEED TO DEAL WITH ASEAN'S EXPECTATIONS.)

4. THE TERMS OF THE LOAN AGREED ON DURING HUSSEIN ONN'S VISIT - FOUR PER CENT WITH REPAYMENT OVER TWENTY YEARS INCLUDING SEVEN YEARS' GRACE - REPRESENTED COMPROMISE, ABE SAID, BETWEEN JAPANESE EMPHASIS ON ALREADY HIGH MALAYSIAN PER CAPITA INCOME AND MALAYSIAN INSISTENCE ON NEED FOR OUTSIDE FINANCING TO HELP REMEDY SHARP INEQUALITIES IN DEGREE OF DEVELOPMENT AMONG DIFFERENT AREAS OF MALAYSIA.

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5. ABE SAID THAT HUSSEIN ONN'S MEETINGS WITH REPRESENTATIVES OF THE JAPANESE PRIVATE SECTOR AS WELL AS WITH GOVERNMENT OFFICIALS PROVIDED A POSSIBLY VALUABLE EXPOSURE TO THE ATTITUDES AND APPROACH OF POTENTIAL PRIVATE INVESTORS. HUSSEIN ONN MAY HAVE CARRIED AWAY, ABE FELT, SOME NEW IMPRESSIONS WHICH COULD HELP HIM "REVIEW HIS CHECKLIST" ON HANDLING OF FOREIGN VISITORS. DISCUSSION OF TRADE WAS LIMITED TO RITUAL MALAYSIAN REQUESTS FOR EXPORTS INCOME STABILIZATION AND FOR BETTER JAPANESE MARKET ACCESS FOR MALAYSIA'S SEMI-MANUFACTURED GOODS, AND TO RITUAL COURTEOUSLY EVASIVE JAPANESE REPLIES.

6. ON POLITICAL SUBJECTS WHICH AROSE DURING VISIT, ANOTHER FOREIGN MINISTRY OFFICIAL (DIRECTOR TANINO OF ABE'S DIVISION) MENTIONED IN PARTICULAR HUSSEIN ONN'S REMARKS ABOUT VIETNAM AND THE SOVIET UNION. ACCORDING TO TANINO, IN HUSSEIN ONN'S CONVERSATION WITH FUKUDA, FORMER EXPRESSED MALAYSIAN DESIRE FOR "NORMALIZATION" OF ASEAN RELATIONS WITH INDOCHINA COMMUNIST STATES AND POINTED TO OFFER OF MALAYSIAN RUBBER EXPERTS TO SRV AS TANGIBLE PROOF OF GOM'S

SINCERITY IN THIS REGARD. HUSSEIN ONN ALSO TOLD
FUKUDA THAT GOM HAD EXTENDED INVITATION TO PHAM VAN
DONG TO VISIT KUALA LUMPUR IN FUTURE.

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7. WHILE HUSSEIN ONN DID NOT EXHIBIT UNDUE CONCERN
OVER VIETNAMESE IN HIS CONVERSATIONS WITH JAPANESE,
TANINO SAID, HE DID DWELL AT LENGTH ON PROBLEMS
POSED BY INCREASED SOVIET PRESENCE IN SE ASIA. HE
DESCRIBED SOVIETS TO JAPANESE LISTENERS AS POTENTIALLY
MOST SERIOUS DESTABILIZING ELEMENT IN REGION. MALAY-
SIAN PRIME MINISTER DID NOT MENTION QUESTION OF US
MILITARY PRESENCE IN AREA OR PHILIPPINE BASES, BUT
DID NOTE THAT HE PERSONALLY WELCOMES ANY PROGRESS
TOWARDS US-PRC NORMALIZATION OF RELATIONS AS USEFUL
COUNTER TO SOVIETS IN ASIA.

8. FOREIGN MINISTRY OFFICIALS COMMENTED THAT FUKUDA
HAD BEEN FAVORABLY IMPRESSED BY HUSSEIN ONN--AT
LEAST IN PART BECAUSE SERIOUS-MINDED AND SOFT-SPOKEN
MALAYSIAN PRIME MINISTER HAD BEEN REFRESHING CONTRAST
TO SHOW-BOATING OF SUCH OTHER RECENT ASEAN VISITORS
AS MARCOS. THE EVIDENT RELIABILITY AND INTEGRITY OF
HUSSEIN ONN GAVE JAPANESE PARTICIPANTS IN VISIT
CONFIDENCE IN DEALING WITH HIM. THE JAPANESE HAD
OBSERVED THAT ON PARTICULAR MATTERES OF SUBSTANCE,
HUSSEIN ONN HAD TAKEN SPECIAL PAINS TO STICK CLOSE
TO POSITIONS PREPARED BY GOM BUREAUCRATS. (DURING
DISCUSSION WITH JAPANESE ON INTEREST RATE FOR
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LATEST CREDIT, MALAYSIAN PARTY HAD BEEN IN FREQUENT
CONTACT WITH KUALA LUMPUR, WHICH ALSO HAD CLEARED THE
FINAL AGREEMENT.)

9. PRIME MINISTER DEVOTED UNUSUAL AMOUNT OF
PERSONAL TIME AND ENERGY TO DRAFTING AND RE-DRAFTING
SPEECHES HE WAS TO GIVE DURING VISIT, TANINO SAID, AND HE WONDERED
WHETHER, GIVEN HUSSEIN ONN'S WORK HABITS AND FAILURE
TO DELEGATE ROUTINE TASKS, LATTER COULD ACT AS
EFFECTIVE ADMINISTRATOR.
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Message Attributes

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